



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

ROBERT L. EMERSON
DIRECTOR

March 12, 2007

The Honorable Ron Jelinek, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

House Appropriations, Chair
George Cushingberry, Speaker of the House
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached are the monthly financial reports for the months ending December 31, 2006 and January 31, 2007. These reports are submitted pursuant to MCL 18.1386. These reports can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in purple ink that reads "Robert L. Emerson".

Robert L. Emerson
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Mike Bishop, Senate Majority Leader
Andy Dillon, Speaker of the House
Mark Schauer, Senate Minority Leader
Craig DeRoche, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Chair, House Tax Policy Committee
Mary A. Lannoye, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

MONTHLY FINANCIAL REPORT

FOR

DECEMBER 31, 2006

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2007
Projected Revenues and Expenditures
December 31, 2006
(\$ in millions)

	FISCAL 2007
Beginning Balance, October 1, 2006	\$ 109.6 ¹
Revenues, Current Law:	
Current Year GF/GP Revenues, May 2006 Consensus Estimate	\$ 8,435.4
Adjustments to Consensus Baseline:	
Additional Revenue Adjustments:	
Revenue Sharing Freeze (PA 437 of 2006 and May 2006 Consensus)	\$ 387.0
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 198.0
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
Financial Institutions Fund Revenue Deposit to GF	\$ 2.8
Interest Earnings - Tobacco Securitization (PA 226 of 2005)	\$ 15.0
Charge School Aid Fund for Short Term Borrowing Costs	\$ 22.8
Liquor Purchase Revolving Fund Revenue Deposit to GF	\$ 4.0
Consumer Finance Fee Revenue Deposit to GF	\$ 7.0
Subtotal Additional Revenue Adjustments	\$ 646.6
Anticipated Revenue Adjustments:	
Land Sales (including PA 179 of 2006)	\$ 28.0
Liquor License/Penalties	\$ 3.5
Subtotal Anticipated Revenue Adjustments	\$ 31.5
Total FY Resources Available For Expenditure GF/GP	9,223.1
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 9,222.8
Total Expenditures Projected	\$ 9,222.8
Projected Ending Balance, September 30, 2007	\$ 0.3 ¹

¹ Subsequent to the date of this report, two events affected the projected ending balance for September 30, 2007. (1) On January 18, 2007, a revenue consensus estimating conference was held, which identified a \$233.7 million GF/GP revenue shortfall for the current year. (2) On January 26, 2007, unaudited financial statements for fiscal year 2006 were issued reporting a general fund unreserved fund balance of \$5.7 million on September 30, 2006. As a result of the consensus revenue estimating conference and the revised fiscal year 2006 ending balance, the projected general fund revenue shortfall for the 2007 fiscal year is \$337.1 million.

On February 8, 2007, the Governor presented a comprehensive proposal to address the projected 2007 general fund shortfall. On February 14, 2007, a portion of that proposal, Executive Order 2007-1, was rejected by the Senate Appropriations Committee. The Governor will work with the Legislature to develop solutions to address the projected general fund shortfall.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND Fiscal Year 2007 Projected Revenues and Expenditures December 31, 2006 (\$ in millions)

	FISCAL 2007
Beginning Balance, October 1, 2006	\$ 95.3
Current Year School Aid Fund Revenues, May 2006 Consensus	\$ 11,552.4
General Fund Subsidy	\$ 35.0
Federal Aid	\$ 1,411.2
Total Available SAF Resources	\$ 13,093.9
Expenditures	
Enacted Appropriations PA 155 of 2005	\$ 13,093.7
Adjusted Appropriations	\$ 13,093.7
Projected School Aid Fund Ending Balance September 30, 2007	\$ 0.2 ¹

¹ Subsequent to the date of this report, two events affected the projected ending balance for September 30, 2007. (1) On January 18, 2007, a consensus revenue estimating conference was held, which identified a \$322.4 million School Aid Fund revenue shortfall for the current year. (2) On January 26, 2007, unaudited financial statements for fiscal year 2006 were issued reporting a School Aid Fund unreserved fund balance of \$0.0 on September 30, 2006. As a result of the consensus revenue estimating conference and the revised fiscal year 2006 ending balance, the projected School Aid Fund revenue shortfall for the 2007 fiscal year is \$417.5 million. After adjusting for revised estimates of pupils and other costs, the School Aid Fund budget shortfall is reduced to an estimated \$377.3 million.

On February 8, 2007, the Governor presented a comprehensive proposal to address the projected 2007 School Aid Fund shortfall and will work with the Legislature to resolve the projected shortfall.

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND GROSS

December 31, 2006

(\$ IN MILLIONS)

FISCAL YEAR 2005-06

FISCAL YEAR 2006-07

December 2005	Yr-to-date 2005-06	Fiscal Yr end SEP 30, 2006	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc December 2006	Exp & Enc Yr-to-date 2006-07
8.4	23.1	85.3	Agriculture	113.6	-0-	7.1	28.6
7.0	14.2	60.0	Attorney General	67.6	-0-	5.2	15.2
1.7	3.4	16.1	Auditor General	16.3	-0-	1.2	3.6
21.3	68.8	14.8	Capital Outlay**	237.8	-0-	18.2	72.3
1.5	3.0	13.4	Civil Rights	14.0	-0-	1.0	2.9
2.4	5.3	27.3	Civil Service	36.5	-0-	2.0	5.6
160.0	519.4	1,858.2	Colleges & Universities	1,924.6	-0-	168.7	540.0
524.4	2,249.9	9,518.5	Community Health	11,020.4	1.2	1,098.0	2,992.6
186.9	430.6	1,800.6	Corrections	1,921.1	-0-	148.9	458.3
10.4	24.5	65.2	Education	90.6	-0-	4.3	14.5
26.8	43.4	174.6	Environmental Quality	333.7	-0-	23.2	47.0
0.6	1.2	5.3	Executive Office	5.5	-0-	0.4	1.2
2.6	10.0	49.6	History, Arts & Library	54.9	-0-	2.8	11.4
256.3	928.4	4,148.3	Human Services	4,463.6	-0-	262.5	1,014.9
-0-	-0-	-0-	Information Technology	-0-	-0-	-0-	-0-
20.3	40.2	205.7	Judiciary	259.4	-0-	9.3	35.7
60.0	136.7	718.8	Labor & Economic Growth	856.3	29.8	40.7	138.4
12.8	28.6	121.0	Legislature	116.6	-0-	9.9	30.4
13.2	40.3	161.5	Management & Budget	175.1	1.9	12.0	44.3
-0-	7.5	32.9	Michigan Strategic Fund	32.0	-0-	-0-	7.6
10.9	29.9	109.3	Military Affairs	116.4	-0-	8.4	29.0
14.5	25.1	77.6	Natural Resources	101.4	-0-	15.1	19.8
-0-	-0-	-0-	School Aid	-0-	-0-	-0-	-0-
18.7	58.2	257.3	State	204.8	-0-	16.1	54.4
46.6	99.7	464.0	State Police	569.3	0.2	28.8	86.1
-0-	-0-	-0-	Transportation	-0-	-0-	-0-	-0-
220.5	518.8	3,101.8	Treasury	1,530.9	58.5	218.2	520.5
\$1,627.8	\$5,310.2	\$23,087.1		\$24,262.3	\$91.6	\$2,102.0	\$6,174.3

*Includes boilerplate appropriations.

**Includes State Building Authority appropriated in Management and Budget.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2007
December, 2006
(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	16,162.3	0.0	16,162.3
Total state spending from state resources	28,024.2	0.0	28,024.2
Percentage of state spending from state resources paid to local units	57.67%		57.67%
Required payments to local units (48.97%)	13,723.5		13,723.5
Surplus/(deficit)	\$2,438.8		\$2,438.8

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006
(in thousands)

REVENUES

Taxes	\$	-
From federal agencies		-
Miscellaneous		-
		<hr/>
Total Revenues		-

EXPENDITURES

Current:		
General government		-
Education		-
Family Independence services		-
Public safety and corrections		-
		<hr/>
Total Expenditures		-
		<hr/>
Excess of Revenues over (under)		
Expenditures		-

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues		-
Operating transfers from:		
State Lottery Fund		-
Other funds		-
		<hr/>
Total operating transfers from other funds		-
Operating transfers to other funds		-
		<hr/>
Total Other Financing Sources (Uses)		-
		<hr/>
Excess of Revenues and Other		
Sources over (under) Expenditures		
and Other Uses	\$	- ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
 OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006
 (in thousands)

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Financing fees	847
Other	-
Total miscellaneous	<u>847</u>
Total Operating Revenues	<u>847</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	515
Total other operating expenses	<u>515</u>
Total Operating Expenses	<u>515</u>
Operating Income (Loss)	<u>332</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	-
Other nonoperating revenue	-
Total other nonoperating revenues	<u>-</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income (Loss) Before Operating Transfers	<u>332</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	-
Total Operating Transfers In (Out)	<u>-</u>
Net Income (Loss)	<u>\$ 332 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2006 THROUGH DECEMBER 31, 2006
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>20,572</u>
Total Revenues	<u>20,572</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	463
Capital outlay	<u>1,398</u>
Total Expenditures	<u>1,860</u>
Excess of Revenues over (under) Expenditures	<u>18,712</u>

OTHER FINANCING SOURCES (USES)

Proceeds from sale of capital assets	7
Proceeds from bond issues	-
Operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>7</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 18,719 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable,
accounts payable, etc.

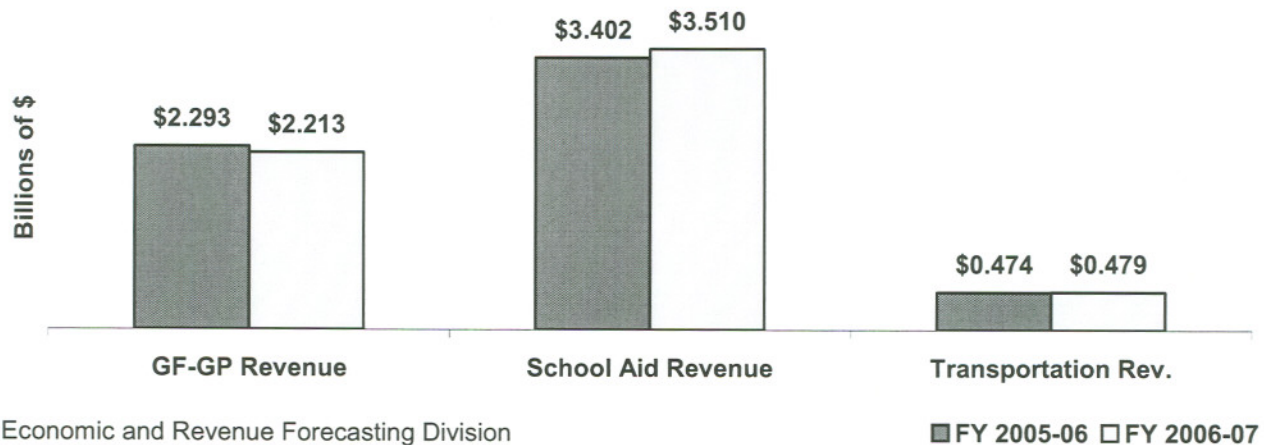
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for December 2006, representing some November and some December economic activity in Michigan.

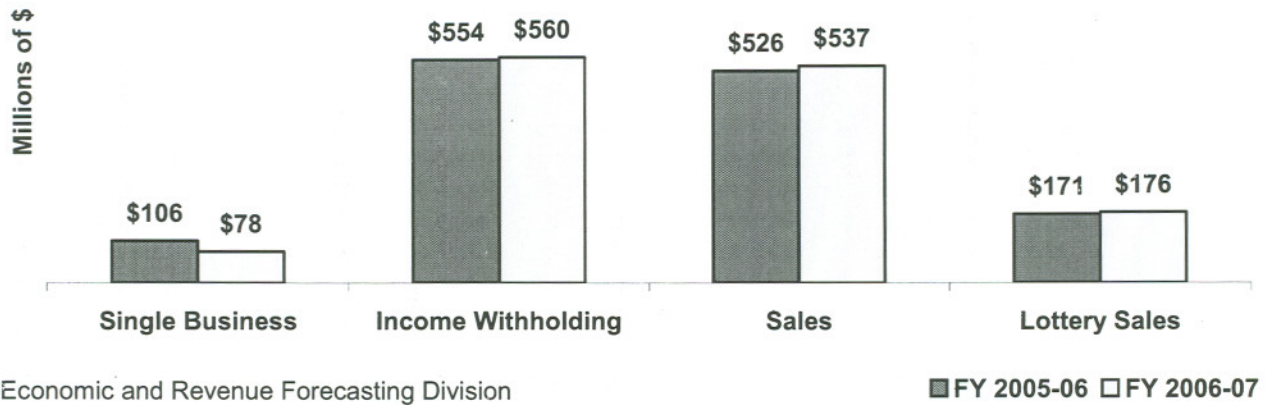
Total General Fund - General Purpose cash collections were \$38.1 million (5.4 percent) lower in December 2006 than in December 2005. The decrease is due in part to the timing of single business tax collections. December School Aid Fund cash collections were \$44.8 million (5.5 percent) lower than in December 2005. December transportation collections were \$5.8 million (3.7 percent) lower than in December 2005 (see revenue table). December is the third month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are down \$79.6 million (3.5 percent) from a year ago. School Aid Fund cash collections are up \$107.8 million (3.2 percent), and transportation collections are up \$5.0 million (1.0 percent).

The FY 2006-2007 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on May 17, 2006. The Consensus estimate for net General Fund - General Purpose revenue for FY 2006-2007 is \$8,435.4 million and the net School Aid revenue forecast is \$11,552.4 million. The Transportation Funds revenue forecast is \$2,313.0 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2007.

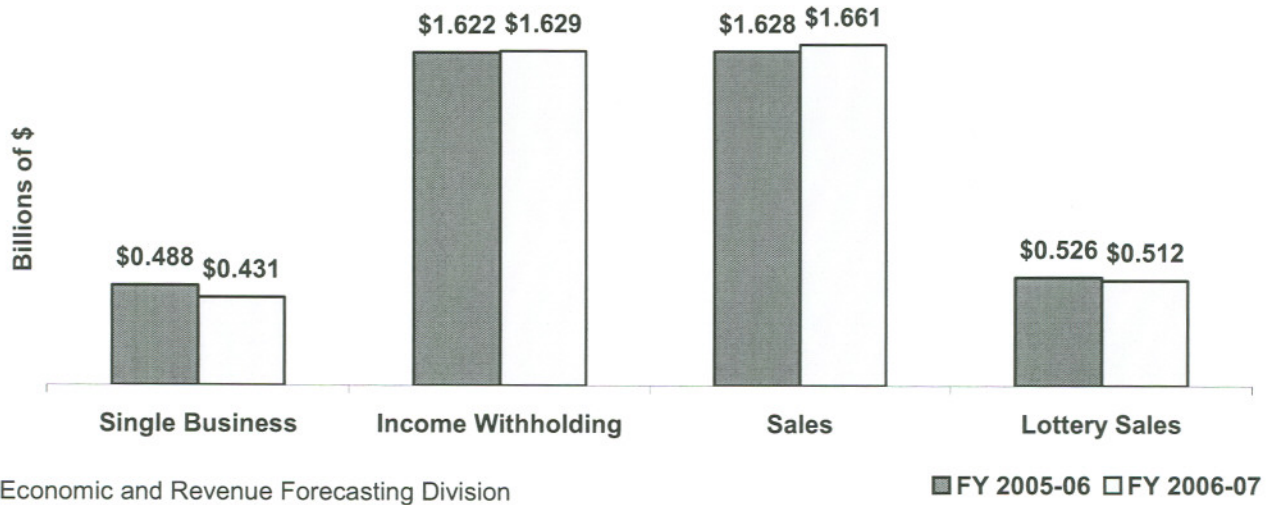
**October through December Collections
Fiscal Years 2005-06 and 2006-07**



December Revenue Collections Fiscal Years 2005-06 and 2006-07



October through December Collections Fiscal Years 2005-06 and 2006-07



Revenue Summary 2006-07
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
December		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2005-2006	2006-2007	2006-2007
2005	2006	Amount	Percent		2005-06	2006-07	Amount	Percent	May 2006	Statutory	May 2006
Consensus (e)EstimateConsensus											
Income Taxes											
\$553,521	\$560,220	\$6,699	1.2%	Withholding	\$1,622,396	\$1,629,432	\$7,036	0.4%	\$6,516,600	\$6,670,000	\$6,670,000
74,254	64,980	(9,274)	-12.5%	Quarterlies	88,375	80,247	(8,128)	-9.2%	722,000	754,000	754,000
10,175	10,547	372	3.7%	Annuals	39,897	50,889	10,991	27.5%	695,100	719,900	719,900
637,951	635,748	(2,203)	-0.3%	Gross Collections	1,750,668	1,760,568	9,900	0.6%	\$7,933,700	\$8,143,900	\$8,143,900
22,728	24,586	1,858	8.2%	Less: Refunds	69,339	87,821	18,482	26.7%	1,679,000	1,758,000	1,758,000
0	0	0	na	State Campaign Fund	0	0	0	na	1,500	1,500	1,500
615,222	611,162	(4,061)	-0.7%	Net Personal Income	1,681,329	1,672,747	(8,582)	-0.5%	\$6,253,200	\$6,384,400	\$6,384,400
165,867	165,294	(573)	-0.3%	Less: Disbursements to SAF	455,174	457,748	2,574	0.6%	\$2,058,800	\$2,113,200	\$2,113,200
\$449,355	\$445,867	(\$3,488)	-0.8%	NET PERSONAL INCOME TO GF-GP	\$1,226,155	\$1,214,999	(\$11,156)	-0.9%	\$4,194,400	\$4,271,200	\$4,271,200
Consumption Taxes											
\$7,185	\$6,258	(\$927)	-12.9%	Sales (a)	\$22,543	\$19,979	(\$2,564)	-11.4%	\$106,200	\$113,300	\$113,300
71,515	64,437	(7,077)	-9.9%	Use	224,341	233,287	8,946	4.0%	941,100	978,400	978,400
19,065	19,151	86	0.5%	Tobacco	58,769	57,366	(1,403)	-2.4%	235,300	231,400	231,400
3,931	4,195	264	6.7%	Beer, Wine & Mixed Spirits	11,937	11,934	(3)	0.0%	52,000	52,000	52,000
2,978	3,756	779	26.2%	Liquor Specific	5,645	6,669	1,025	18.2%	34,000	34,500	34,500
\$104,673	\$97,797	(\$6,875)	-6.6%	TOTAL CONSUMPTION TAXES	\$323,234	\$329,235	\$6,001	1.9%	\$1,368,600	\$1,409,600	\$1,409,600
Other Taxes											
\$105,546	\$78,211	(\$27,335)	-25.9%	Single Business	\$488,158	\$431,153	(\$57,005)	-11.7%	\$1,852,900	\$1,885,900	\$1,885,900
1,625	3,727	2,102	129.0%	Insurance Premiums Taxes	56,863	53,848	(15)	0.0%	235,000	246,000	246,000
107,171	81,939	(25,233)	-23.5%	Sub-total SBT & Insurance	545,020	488,001	(57,020)	-10.5%	2,087,900	2,131,900	2,131,900
82	93	11	12.9%	Inheritance / Estate	513	193	(320)	-62.3%	1,000	0	0
623	262	(361)	-57.9%	Telephone & Telegraph	46,432	39,803	(6,629)	-14.3%	83,000	80,000	80,000
7,703	3,840	(3,863)	-50.1%	Oil & Gas Severance	25,305	14,512	(10,793)	-42.7%	94,000	76,000	76,000
3,662	4,058	396	10.8%	Casino Wagering	11,034	11,449	415	3.8%	44,100	45,000	45,000
7,021	7,399	378	5.4%	Penalties & Interest	31,942	29,184	(2,758)	-8.6%	146,700	153,400	153,400
53	33	(20)	-37.8%	Miscellaneous Other/Railroad	138	27	(111)	-80.4%	0	0	0
(7,667)	(7,667)	0	0.0%	Treasury Enforcement Programs (f)	(23,000)	(23,000)	0	0.0%	(92,000)	(92,000)	(92,000)
\$118,648	\$89,957	(\$28,691)	-24.2%	TOTAL OTHER TAXES	\$637,385	\$560,169	(\$77,216)	-12.1%	\$2,364,700	\$2,394,300	\$2,394,300
\$672,676	\$633,622	(\$39,054)	-5.8%	SUBTOTAL GF-GP TAXES	\$2,186,774	\$2,104,403	(\$82,371)	-3.8%	\$7,927,600	\$8,075,200	\$8,075,200

continued

Revenue Summary 2006-07
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
December		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2005-2006	2006-2007	2006-2007
2005	2006	Amount	Percent		2005-06	2006-07	Amount	Percent	May 2006	Statutory	May 2006
Consensus (e)											
Estimate											
Consensus											
Non-Tax Revenue (f)											
\$2,917	\$2,917	\$0	0.0%	Federal Aid	\$8,750	\$8,750	\$0	0.0%	\$35,000	\$35,000	\$35,000
167	167	0	0.0%	Local Agencies	500	500	0	0.0%	2,000	2,000	2,000
1,500	1,500	0	0.0%	Services	4,500	4,500	0	0.0%	18,000	18,000	18,000
2,833	2,833	0	0.0%	Licenses & Permits	8,500	8,500	0	0.0%	34,000	34,000	34,000
0	0	0	na	Investments/Interest Costs	0	0	0	na	(70,000)	(75,000)	(75,000)
12,050	12,808	758	6.3%	Misc. Non-tax Revenue	36,150	38,425	2,275	6.3%	144,600	153,700	153,700
11,667	11,833	167	1.4%	Liquor Purchase Revolving Fund	35,000	35,500	500	1.4%	140,000	142,000	142,000
4,208	4,208	0	0.0%	From Other Funds-Lottery & Escheats	12,625	12,625	0	0.0%	50,500	50,500	50,500
\$35,342	\$36,267	\$925	2.6%	TOTAL NON-TAX REVENUE	\$106,025	\$108,800	\$2,775	2.6%	\$354,100	\$360,200	\$360,200
\$708,018	\$669,889	(\$38,129)	-5.4%	TOTAL GF-GP REVENUE	\$2,292,799	\$2,213,203	(\$79,596)	-3.5%	\$8,281,700	\$8,435,400	\$8,435,400
School Aid Fund											
\$217,192	\$219,726	\$2,534	1.2%	Sales Tax 4%	\$667,582	\$678,709	\$11,127	1.7%	2,738,800	2,838,100	2,838,100
163,687	171,218	7,531	4.6%	Sales Tax 2%	515,259	529,931	14,672	2.8%	2,144,900	2,228,600	2,228,600
35,757	32,219	(3,539)	-9.9%	Use Tax 2%	112,170	116,643	4,473	4.0%	470,500	489,200	489,200
76,144	55,137	(21,007)	-27.6%	State Education Property Tax	1,233,494	1,337,923	104,429	8.5%	2,010,000	2,116,000	2,116,000
30,182	18,096	(12,086)	-40.0%	Real Estate Transfer Tax	85,894	59,622	(26,272)	-30.6%	320,000	311,000	311,000
75,579	60,000	(15,579)	-20.6%	Lottery Transfer (b)	130,579	133,017	2,438	1.9%	708,500	712,000	712,000
8,475	9,392	917	10.8%	Casino Wagering Tax	25,537	26,496	959	3.8%	102,000	104,100	104,100
2,955	3,745	790	26.7%	Liquor Excise Tax	5,591	6,547	956	17.1%	34,000	34,500	34,500
38,800	38,879	79	0.2%	Cigarette/Tobacco Tax	119,605	116,462	(3,143)	-2.6%	473,300	463,800	463,800
3,860	1,923	(1,937)	-50.2%	Indus. & Comm. Facilities Taxes	47,901	44,781	(3,120)	-6.5%	123,000	128,000	128,000
2,292	343	(1,949)	-85.0%	Specific Other	3,559	2,223	(1,336)	-37.5%	14,100	14,100	14,100
165,867	165,294	(573)	-0.3%	Income Tax Earmarking	455,174	457,748	2,574	0.6%	\$2,058,800	\$2,113,200	\$2,113,200
\$820,792	\$775,972	(\$44,819)	-5.5%	TOTAL SCHOOL AID FUND	\$3,402,346	\$3,510,102	\$107,756	3.2%	\$11,198,000	\$11,552,400	\$11,552,400
\$525,674	\$537,428	\$11,753	2.2%	SALES TAX 6%	\$1,627,896	\$1,661,112	\$33,216	2.0%	\$6,709,600	\$6,958,700	\$6,958,700
361,987	366,209	4,223	1.2%	SALES TAX 4%(d)	1,112,637	1,131,181	18,544	1.7%	4,564,700	4,730,100	4,730,100
163,687	171,218	7,531	4.6%	SALES TAX 2%	515,259	529,931	14,672	2.8%	2,144,900	2,228,600	2,228,600
107,272	96,656	(10,616)	-9.9%	USE TAX 6%	336,511	349,930	13,419	4.0%	1,411,600	1,467,600	1,467,600
12,660	14,030	1,371	10.8%	CASINO WAGERING TAX	38,148	39,581	1,433	3.8%	152,400	155,500	155,500
95,802	96,234	433	0.5%	TOBACCO TAXES	295,322	288,272	(7,050)	-2.4%	1,179,500	1,158,900	1,158,900
0	2,335	2,335	na	TOBACCO SETTLEMENT	3,116	2,335	(780)	-25.0%	na	na	na
0	0	0	na	CIGARETTE INVENTORY TAX	0	0	0	na	na	na	na

continued

Revenue Summary 2006-07
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: December 31, 2006

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH DECEMBER CASH COLLECTIONS DATA						REVENUE PROJECTIONS		
December		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2005-2006	2006-2007	2006-2007	
2005	2006	Amount	Percent		2005-06	2006-07	Amount	Percent	May 2006	Statutory	May 2006	
									Consensus (e)	Estimate	Consensus	
Major Transportation Revenues												
\$16,105	\$12,489	(\$3,616)	-22.5%	Diesel Fuel / Motor Carrier Fuel Tax (g)	\$39,273	\$37,496	(\$1,776)	-4.5%	\$153,000	\$156,000	\$156,000	
76,138	70,011	(6,126)	-8.0%	Gasoline	226,158	220,951	(5,207)	-2.3%	918,000	928,000	928,000	
58,482	60,396	1,915	3.3%	Motor Vehicle Registration	182,032	187,237	5,205	2.9%	892,000	927,000	927,000	
2,958	2,495	(463)	-15.6%	Other Taxes, Fees & Misc.	9,912	9,310	(602)	-6.1%	207,719	204,722	204,722	
5,654	8,105	2,451	43.4%	Comprehensive Transportation (c)	16,963	24,316	7,354	43.4%	67,751	97,265	97,265	
\$159,337	\$153,497	(\$5,839)	-3.7%	TOTAL MAJOR TRANS. REVENUES	\$474,338	\$479,311	\$4,973	1.0%	\$2,238,470	\$2,312,987	\$2,312,987	
Lottery Sales By Games												
60,682	60,139	(542)	-0.9%	Instant Games	171,892	170,949	(943)	-0.5%	na	na	na	
55,265	56,674	1,410	2.6%	Daily Games	163,498	165,350	1,851	1.1%	na	na	na	
18,253	18,173	(81)	-0.4%	Lotto and Big Game	83,593	54,513	(29,080)	-34.8%	na	na	na	
1,111	1,082	(29)	-2.6%	Keno Game	3,378	3,352	(26)	-0.8%	na	na	na	
0	0	0	na	Changeplay Game	0	0	0	na	na	na	na	
35,344	39,683	4,340	12.3%	Club Games	104,003	117,458	13,455	12.9%	na	na	na	
\$170,654	\$175,752	\$5,098	3.0%	TOTAL LOTTERY SALES	\$526,364	\$511,621	(\$14,743)	-2.8%	na	na	na	

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

c The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

d 2% collections adjusted to reflect exemption on residential utilities.

e Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

f Non-tax revenue items other than interest are estimates.

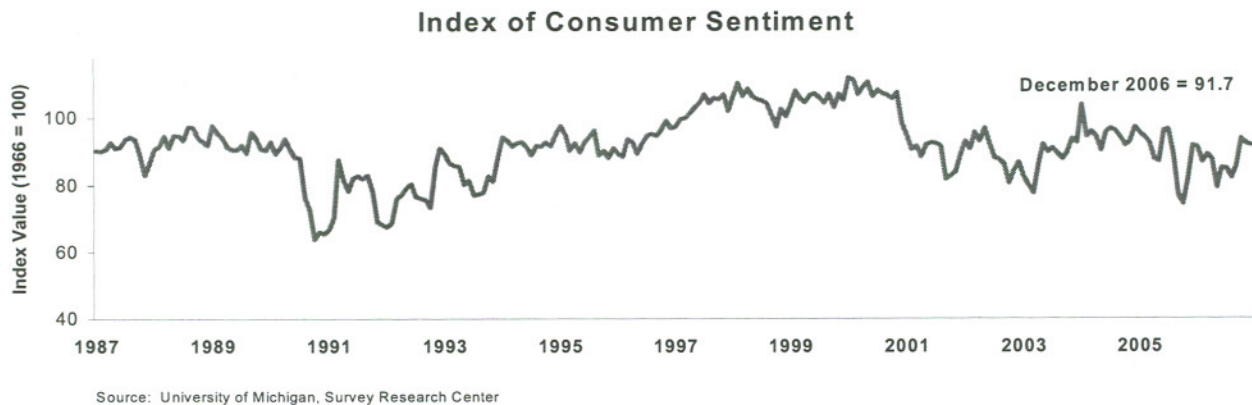
g Starting in January 2005, totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



The **Index of Consumer Sentiment** was 91.7 in December, 0.4 index-points below the November value but 0.2 index-points above December 2005. With essentially no change from a year ago, Survey director Richard Curtin reported, "While the overall level of confidence has not changed, there have been significant and widespread changes in consumers' perceptions of home values and in their views of home buying and selling conditions." Curtin noted, "Changes in home values were judged more negatively at the close of 2006 than any other time in the past ten years. Surprisingly, home buying attitudes have rebounded from their lows, although they remain well below prior peaks, largely due to the appeal of lower mortgage rates. Home selling conditions, however, were judged less favorably by year end, and have prompted the withdrawal or postponement of homes being offered for sale." Curtin observed, "The reason that the overall Sentiment Index remains above its historic average of 88.1 is that consumers are relatively more positive about current economic conditions than their outlook for future economic prospects." In December, consumers in two of the four regions reported an increase in confidence. Northeastern consumers reported an increase in confidence of 7.7 index-points followed by Southern consumers with a 0.4 index-point increase. Western consumers reported the largest decrease in confidence of 6.2 index points. The gap across regions decreased from last month to 10.8 index-points, with Southern consumers on top and Midwestern consumers on the bottom.

The revised estimate of real **Gross Domestic Product** for the third quarter of 2006 is \$11,443.5 billion (chained 2000 dollars), an increase of 2.0 percent at an annual rate. In the second quarter of 2006, real gross domestic product increased 2.6 percent. Personal consumption expenditures, exports, equipment and software, nonresidential structures, and state and local government spending led third quarter growth. Imports, which are a subtraction in calculating GDP, increased. Real personal consumption expenditures increased 2.8 percent in the third quarter compared to an increase of 2.6 percent in the second quarter. Real residential fixed investment decreased 18.7 percent in the third quarter compared to a decrease of 11.1 percent in the second quarter. Real nonresidential fixed investment increased 10.0 percent in the third quarter led by increased investment in nonresidential structures of 15.7 percent and growth in equipment and software of 7.7 percent. Real federal government expenditures increased 1.3 percent in the third quarter, compared to a decrease of 4.5 percent in the second quarter. Real state and local government spending increased 1.9 percent in the third quarter, compared to a 4.0 percent increase in the second quarter. Exports of goods and services

increased 6.8 percent in the third quarter, compared to a 6.2 percent increase in the second quarter. Imports increased 5.6 percent in the third quarter compared to an increase of 1.4 percent in the second quarter. Private inventory investment increased \$55.4 billion in the third quarter, up from a \$53.7 billion increase in the second quarter. Real final sales increased 1.9 percent in the third quarter compared to an increase of 2.1 percent in the second quarter. On the inflation front, the **implicit price deflator** increased at a 1.9 percent annual rate in the third quarter, compared to a 3.3 percent increase observed in the second quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.5 percent in December, up from no change recorded in November. Energy increased by 4.6 percent in December; compared to a 0.2 percent decrease in November, while the all-items less food and energy component increased 0.2 percent. For the six months since June, the all-items index decreased at a 0.5 percent annual rate.

Compared to December 2005, the all-items index increased 2.5 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.2 percent; housing, 3.3 percent; medical care, 3.6 percent; apparel, 0.9 percent; recreation, 1.0 percent; education and communication, 2.3 percent; transportation 1.6 percent, with gasoline prices up 6.4 percent; and other goods and services, 3.0 percent.

Selected Key Interest Rates

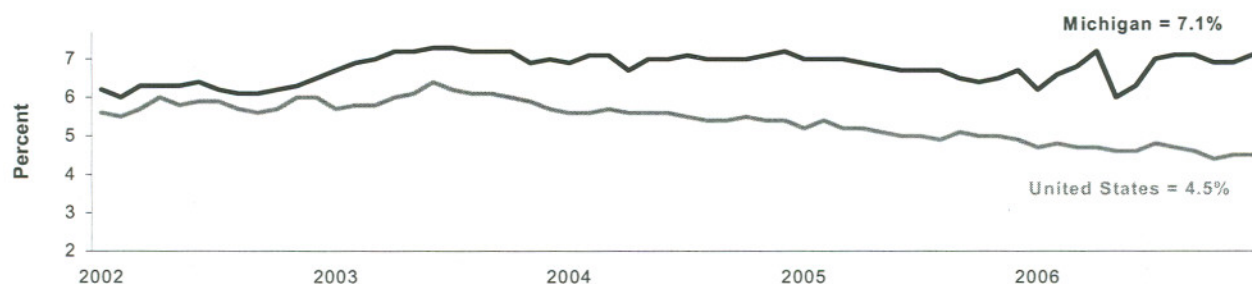


Source: Economic Indicators

Short-term **interest rates** decreased 0.10 percentage points in December as the 3-month Treasury bill (T-bill) rate averaged 4.85 percent. Compared to one year ago, the T-bill rate is up 0.97 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, decreased 0.04 percentage points to an interest yield of 5.29 percent in December. Compared to one year ago, the Aaa bond yield is down 0.09 percentage points. The interest rate on High-grade municipal bonds decreased 0.03 percentage points to 4.14 percent in December, and stands 0.29 percentage points below its year ago level. The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its December 12th meeting at 5.25 percent. The FOMC stated that, "Readings on core inflation have been elevated, and the high level of resource utilization has the potential to sustain inflation pressures. However, inflation pressures seem likely to moderate over time." The committee, "judges that some inflation risks remain. The extent and timing of any additional firming that may be needed to address these risks will depend on the evolution of the outlook for both inflation and economic growth, as implied by incoming information."

In December, the **U. S. unemployment rate** remained unchanged from a month ago at 4.5 percent but was down 0.4 percentage points from one year ago. Civilian employment totaled 145.9 million persons in December, up 0.3 million from November. The number of unemployed was 6.8 million nationwide.

Unemployment Rates 2002 - 2006



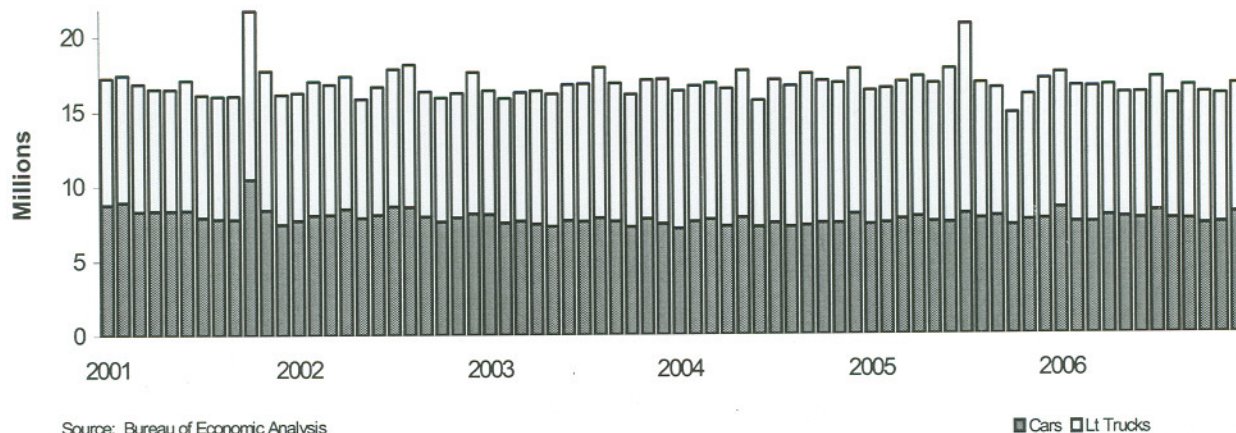
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In December, the **Michigan jobless rate** decreased 0.2 percentage points to 7.1 percent. Compared to a year ago, Michigan's jobless rate was 0.4 percentage points higher. From a month ago, the labor force increased by 42,000 to 5,122,000, while the number of people employed increased by 25,000 to 4,756,000. In December, there were 366,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors.

Detroit retail prices, as measured by the Consumer Price Index (CPI-U), decreased 0.1 percent from October to December, up from a 1.0 percent decrease from August to October. The all-items less food and energy index increased 0.2 percent from October to December. The food index increased 0.2 percent from October to December while the energy index increased 1.0 percent. Compared to December 2005, the all-items index increased 2.1 percent. For individual component items, the increases from one year ago were: food and beverages, 2.5 percent; housing, 1.8 percent; medical care, 3.2 percent; transportation, 4.5 percent; education and communication, 4.0 percent; other goods and services, 3.1 percent; the unadjusted decreases were: apparel, 1.6 percent.

Motor Vehicle Sector

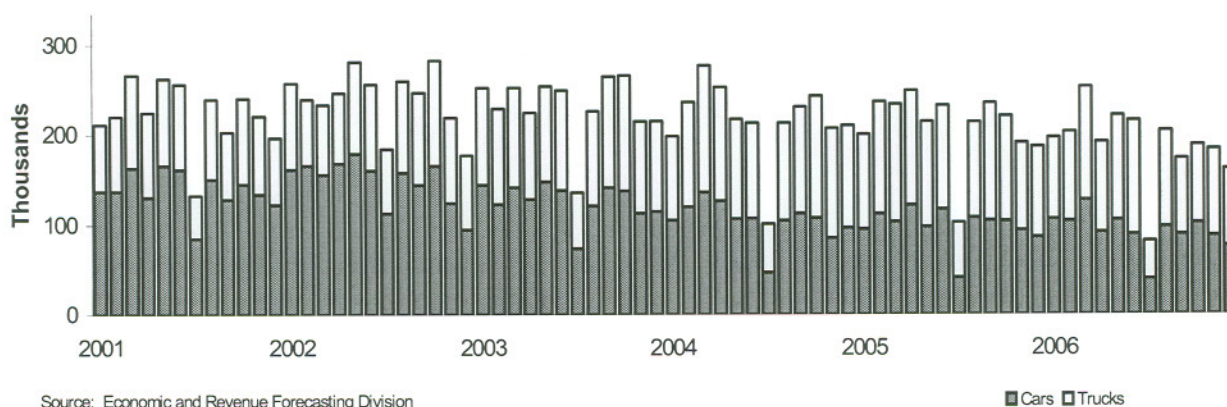
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) increased 0.7 million units in December compared to last month, selling at a 16.7 million unit seasonally adjusted annual rate. Domestic car sales increased 9.8 percent while domestic light truck sales decreased 0.1 percent. Import car sales increased 9.0 percent while import light truck sales decreased 0.1 percent. Compared to last year, light vehicle sales decreased 2.3 percent. Domestic car sales were up 0.1 percent while domestic light truck sales decreased 12.1 percent. Import car sales were up 18.3 percent while import truck sales rose 16.1 percent from last year. As a result, the domestic share decreased 3.9 percentage points from a year ago. For fiscal year 2007 year-to-date, domestic light vehicles have recorded a 76.4 percent share of a 16.3 million-unit market.

Michigan motor vehicle production decreased to 161,933 units in December. From a year ago, motor vehicle production decreased 13 percent in Michigan and fell 6 percent nationally. In December, Michigan's car production was 76,277 units while the state's truck production was 85,656 units. Compared with a year ago, car production decreased 12 percent in Michigan and fell 3 percent nationwide. The state's truck production decreased 15 percent while national truck production fell 7 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the May 17, 2006 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2004-2005 Actual	Fiscal Year 2005-2006 Actual	Fiscal Year 2006-2007 Estimate
Applicable Calendar Year Personal Income Section 26 Base Ratio Revenue Limit	\$314,460 9.49% \$29,842.3	\$324,134 9.49% \$30,760.3	\$335,164 9.49% \$31,807.1
Revenue Limit State Revenue Subject to Limit	\$29,842.3 \$25,626.8	\$30,760.3 \$26,211.0	\$31,807.1 \$27,121.1
Amount Under (Over) Limit	\$4,215.5	\$4,549.3	\$4,686.0

Sources:

Personal Income Estimate

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

The FY 2005-06 calculation uses the official personal income estimate for calendar year 2004 (Survey of Current Business, October 2005).

The FY 2006-07 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Revenue Subject to the Limit

The FY 2004-05 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2005.

The FY 2005-06 calculation uses the May 17, 2006 Consensus Revenue Agreement.

The FY 2006-07 calculation uses the May 17, 2006 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury